

INTEREST CONFLICT AND ENTREPRENEURIAL SUPPORT FOR PERÓN*

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Unlike other Latin American countries, the particular mode of dependent capitalist development that has occurred in Argentina has led to the emergence of a relatively large industrial bourgeoisie.¹ Indeed, industrialists in Argentina have constituted an extremely important pressure group, in a society where the state has not been able to control the development and activities of societal organizations. Entrepreneurial organizations both of a general type, such as chambers of commerce and industry, and of a more specialized nature, such as trade associations, began to arise autonomously by the turn of the century. The events of the Perón years were particularly important in giving impetus to entrepreneurial organization.² By the early 1950s, with the passage of the Law of Professional Associations of Employers, which granted them special legitimacy and importance, such entrepreneurial organizations became the most important means by which entrepreneurs attempted to influence government policy.

It was during the Perón years that the rivalry between the two peak (top-tier) organizations emerged. While the "Peronist" Confederación General Económica (C.G.E.) was the only peak organization granted legal recognition by the state during these years, its arch rival, the Unión Industrial Argentina (U.I.A.) was officially closed by the regime. In the absence of empirical evidence, the precise nature of the entrepreneurial interests included within these rival organizations has been the subject of considerable conjecture.³ It has been suggested, for example, that the U.I.A. represented the oldest firms, while the C.G.E. was supported by industrialists of firms that were established during the import substitution stage of the Depression and the Second World War. While it has been said that the U.I.A. represented the largest enterprises, connected to foreign interests, situated in and around Buenos Aires, which produced for the export market, it has been maintained that the C.G.E. represented the owners of small and medium firms, particularly those of the interior of the country, who manufactured for

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the domestic consumer market (Cuneo 1967, p. 252; Freels 1970, p. 53; Imaz 1970, p. 148; Jorge 1975, p. 152; Llach 1972, p. 53; Murmis and Portantiero 1974, p. 115; Peralta Ramos 1972, p. 118). It has been postulated, as well, that C.G.E. supporters were entrepreneurs of recent immigrant origin (Jorge 1975, p. 152). In addition to sharp political divisions, these peak organizations have been shown to adhere to distinct ideological orientations (Cuneo 1967, Freels 1970).

Objectives and Rationale of the Research

The purpose of this research was to collect data concerning the nature of the entrepreneurial interests that supported and opposed Perón. The data pertaining to the attitudes of the metallurgical⁴ and textile trade associations, their peak association support, political positions, type of products represented, and associational age, were compiled from a reading of trade association journals and annual reports, between 1946 and 1956. For those cases in which the publications of a trade association were not available, or were missing for a number of years, it was necessary to rely upon newspaper accounts, or upon the recollections of trade association leaders. The Peronist economic policies most frequently addressed by trade associations included generous wage and social welfare measures, heavy tariff and quota protection for industry, government control and distribution of foreign exchange, price controls, and the participation of state-owned enterprises in economic development.

Lists of member firms along with firms represented on executive boards were either extracted from annual reports or were separately obtained from trade association offices. Incorporated companies (those listed in the *Guía de Sociedades Anónimas*, 1954) are considered "large," while all others are considered "small" or "medium," and are shown in the table as "small." Large firms are said to predominate if corporations account for over 50 percent, averaging the data for the years 1946 to 1956.

Age of firms among the membership of trade associations was established by deduction from several groups of findings. Membership was designated as "new" if (1) an analysis of census data showed a rapidly increasing growth rate in number of establishments in the sectors represented by a trade association between 1939 and 1950; (2) there occurred, between 1946 and 1955, a sharp increase in the membership of a trade association; and (3) the above evidence regarding the "newness" of a trade association's membership was corroborated by the official pronouncements of a trade association or its leaders. Membership was designated as "old" if a converse set of relationships was established. Membership was designated as both "old" and "new" if different sec-

tors represented by a trade association fell into the categories of old and new according to the criteria described above.

Researching entrepreneurial behavior at the trade association level made it possible to ascertain whether the political and attitudinal divisions perceived as existing at the peak association level were a reflection of conflicts among the rank and file.⁵ However, only the Confederation of Light Metallurgical Industries, representing the newest firms, established during the import substitution period of the Second World War, whose members manufactured such luxury consumer goods products as jewelry, air conditioners, and refrigerators, declared itself in support of Perón and remained loyal to that regime after its fall from power. Furthermore, only that "Peronist" trade association expressed concern for the continued expansion of the domestic consumer market.

On the other hand, those trade associations that were neo-Liberal in their attitudinal orientation opposed the Perón regime, its economic policies, and the C.G.E. These were older trade associations, representing firms established before the import substitution stage of the Second World War. In other respects, however, they did not fit the pattern attributed to anti-Peronist entrepreneurs. Although the Metallurgical Association was led by a majority of large firms, the memberships of the anti-Peronist trade associations were not composed of large firms producing for the export market. Indeed, two of these trade associations produced for the consumer market. In addition, the Metallurgical Association represented new firms as well as old ones. Finally, two trade associations, sharing neither of the two attitudinal orientations, did not take a common political orientation, nor did they exhibit any common characteristics.

The selection of the metallurgical and textile sectors was considered to be particularly suitable for a number of reasons. In addition to the importance of the textiles, metals, and machinery industries within Argentine manufacturing,⁶ these industries represent different stages in the import substitution process, and, hence, have experienced different rates of growth during distinct historical periods (Diaz Alejandro 1970, p. 229).⁷ The textile and metallurgical industries, as well, produce for different markets. While heavy metallurgy produces for other industries, the textile industry produces for the mass consumer market. It was hypothesized that such different economic interests and experiences would be reflected in divergent attitudinal and political orientations.

Characteristics of Trade Associations Correlated with Attitude towards the Peron Regime and Its Economic Policies

Name of Trade Association ¹	Attitudes ²	Peak Assoc.	Political Position	Market	Size of Firms (Exc.)	Size of Firms (Members)	Age of Trade Assoc. ³	Age of Firms ³
Confederation of Light Metallurgy	Populist & support Peronist economic policies	C.G.E.	Peronist	Luxury Consumer	Sm. Med.	†	New	New
Knitted Fabrics Assoc.			*	Consumer	Sm. Med.	†	Old	Old & New
A. T. A.	Neo-Liberal			Consumer	Small	Small	Old	Old
Silk Chamber	Peronist & oppose economic policies	U.I.A. (vs. C.G.E.)		Consumer	Small	†	Old	Old
Metallurgical Association			Anti-Peronist	Other Industries	Large	Small	Old	Old & New
F. A. D. I. T.	Deviants	Vs. C.G.E.	*	Consumer	Large	†	Old	Old
Rosario			Anti-Peronist	Other Industries	Small	Small	New	†

Note: Methodology and supporting data available from the author upon request.

*Failed to declare support for or opposition to Peron.

† Data not available.

¹For list of trade associations, abbreviations and products manufactured, see Appendix I.

²Neo-Liberal: Trade associations expressing consistent hostility towards the labor movement and its demands and towards state intervention in the economy (heavy industrial protection, foreign exchange controls, state owned enterprises, price controls). Populist: Trade associations expressing a conciliatory attitude towards the labor movement and its demands and towards state intervention in the economy.

³New: after 1940; Old: before 1940.

Findings: Attitudes, Political Orientations, and Trade Association Characteristics

As shown in the table, distinct attitudinal orientations, similar to those dividing the peak organizations, were found to exist at the trade association level. Those trade associations that were populist in their attitudinal orientation supported Peronist economic policies and the "Peronist" C.G.E. They exhibited several of the characteristics so often attributed to Peronist entrepreneurial support: they manufactured for the consumer market and tended to represent new industrialists (although the Knitted Fabrics Association represented older industrialists, as well). In addition, the Knitted Fabrics Association claimed to represent industrialists of Polish Jewish origin who, arriving in Argentina after the First World War, set up small textile workshops. Newer entrepreneurial groups, such as those represented by the Confederation of Light Metallurgical Industries, clearly felt Peronist policies incorporated their interests. Emerging within the context of a political system incapable of channeling its demands, the Confederation, as a consequence, supported Perón's call for formalized participation in the policymaking process through a peak organization such as the C.G.E.⁸ Unlike the other trade associations, the Confederation shared a mutuality of interests with the labor movement. Since its members depended for their sales upon the continued expansion of the standard of living of wage and salary earners, it was willing to support Peronist wage increases if industrial credit and heavy industrial protection for its products were forthcoming. Representing smaller and newer (and therefore weaker) firms, the Confederation saw as essential Peronist economic intervention in such areas as the distribution of foreign exchange, primary materials, and inputs. In short, the industrialists of the "Peronist" Confederation of Light Metallurgical Industries appear to fit di Tella's model of new anti-status quo entrepreneurs (1974, p. 45). Weak economically and excluded politically, they were incorporated into a state articulated alliance that promised them a channel to the highest reaches of power.

On the other hand, the neo-Liberal trade associations felt their interests were excluded from Peronist economic and social policies. Priority was to be given to light industry, particularly that which had arisen during the Second World War, while heavy industry was not to be stimulated for some time.⁹ Indeed, one of the most important characteristics of this dissension was the constant struggle of entrepreneurs at every level of the productive structure to secure protection for their products from foreign competition, along with the liberal importation of their primary material and machinery. Clashes among entrepreneurial groups became frequent after 1940, with the producers of machinery

and metals feeling the most threatened. The resolution of these conflicts solidified antagonism between entrepreneurial groups and was important in determining attitude towards the Perón regime. Undoubtedly, the biggest losers during the period were the manufacturers of machinery, equipment, and machine tools, since such products were liberally imported when foreign exchange was available (Díaz Alejandro 1970, p. 259). In fact, throughout the period, the Metallurgical Association protested vehemently the requests by light industrialists for the liberal importation of machinery and equipment.

The Metallurgical Association's antagonism towards state intervention in economic matters and towards the Perón regime intensified after 1953, with the announcement of the Second Five Year Plan and of the objective of stimulating the siderurgical industry.¹⁰ After that date, the Metallurgical Association not only clashed with those industrialists who wished to import machinery and metal products, but also found it increasingly difficult to obtain sufficient primary materials, in view of the privileges granted the siderurgical industrialists. The apparent privileges granted to light industrialists, and later to the steel industrialists, was one of the most important bases of the Metallurgical Association's hatred of Peronism, which, in its words, created a "true oligarchy of improvised entrepreneurs" and had hurt the "authentic" ones (*Metallurgia*, Año XXI, No. 184, [agosto 1956] p. 3).

Peronist economic policies excluded many textile industrialists, as well. The regime's aim of keeping down the cost of living through price controls on items of primary necessity (such as textiles), in addition to its desire to save foreign exchange through the maximum use of domestic primary material, adversely affected the anti-Peronist textile trade associations led by small and medium industrialists who were dependent upon imported (silk and synthetic) fibers. With the shortage of foreign exchange that began in 1949, these industrialists felt squeezed by expensive and scarce primary materials, and rising wages combined with price controls on the items they produced.¹¹ Since the state did not intervene in their behalf, these trade associations developed hostility towards the heavy form of state intervention that occurred during the period and towards the Perón regime.

None of the neo-Liberal trade associations shared a mutuality of short-term interests with the labor movement. While the Metallurgical Association's members depended for their sales upon other industries, the two textile trade associations did not support the expansion of the domestic consumer market beyond that which was necessary to purchase the primary necessities of life. All three of these trade associations saw the solution to the economic problems faced by their members in securing export markets for manufactured goods, rather than, as in the

case of the Confederation of Light Metallurgical Industries, in the expansion of the domestic consumer market.

The economic conditions faced by the neo-Liberal trade associations served to further reinforce their attitudinal and political orientations. According to the industrial censuses of 1950 and 1954, sectors represented by the anti-Peronist trade associations generally fared less well in terms of growth rate of value added than sectors represented by the "Peronist" Confederation of Light Metallurgical Industries between 1950 and 1954.

Moreover, the hostility of the neo-Liberal trade associations toward the Perón regime was further exacerbated by the attempts of the state to secure compliance through regulation of their professional associations. The Peronist Law of Professional Associations of Employers (1953) became the instrument by which the state, through granting or withholding legal recognition, could reward cooperative entrepreneurial groups, while punishing those unwilling to support its programs. While the state threatened the Metallurgical Association with withdrawal of legal recognition, the anti-Peronist textile trade associations, with state complicity, were underrepresented in their nationwide federation.

Conclusions

The roots of the attitudes and political orientations dividing Argentine textile and metallurgical entrepreneurs are to be found in the nature of economic growth in Argentina; that is, in the process of industrialization known as import substitution, which gave rise to a distinct group of entrepreneurs, having attitudes different from older industrialists. It would appear that the Perón regime was able to articulate an alliance between entrepreneurs manufacturing certain light consumer goods and the labor movement, in view of their support for the continued expansion of the domestic consumer market.

Although the degree to which (if at all) entrepreneurial groups integrated with the Perón regime were able to influence the direction of economic policy remains largely a matter of conjecture, there exists sufficient circumstantial evidence to suggest the strong possibility of such influence, and to invite speculation on its ramifications. The C.G.E. was clearly in a position to influence government policy: its president sat in on cabinet meetings, and the Economic Consultative Commission, composed of the representatives of capital (C.G.E.) and labor (C.G.T.), advised the government on matters of economic policy. Moreover, the failure of the C.G.E. to espouse a long-term strategy of development may have been a reflection of the types of industrial interests that provided its basis of support. Re-equipment, according to the C.G.E., was

to be achieved through the importation of industrial machinery and equipment. The C.G.E. expressed the view that industrial development could not occur if all industrial sectors were allowed to advance in a parallel fashion. Priority, it argued, should be given to those industrial sectors that use national primary materials and to those activities that produce for popular consumption (C.G.E. 1955, p. 75). This criterion coincided more with the interests of the Confederation of Light Metallurgical Industries and the Knitted Fabrics Association, than with those of the anti-Peronist textile trade associations, whose members used imported fibers or those of the Metallurgical Association, whose members not only used imported primary material, but who also did not produce for the consumer market.

The Confederation of Light Metallurgical Industries itself had the opportunity to influence government policy: it had close and friendly links with the Perón regime, and its leaders met personally with Perón on a number of occasions. In addition, the Confederation claimed to have found in the C.G.E. an effective channel of communication to the executive power.

The admittedly sparse evidence available suggests that the state may have favored sectors represented by the Confederation of Light Metallurgical Industries, while tending to ignore sectors represented by the anti-Peronist trade associations. The means by which the state could do this was through the distribution of foreign exchange, primary materials, and credit, and through tariff and quota protection. The desire of the state to protect recently established light consumer goods industries, while allowing the liberal importation of machinery and equipment, has already been mentioned. That state favoritism in the distribution of foreign exchange and primary materials existed is suggested by the Confederation's expression of great satisfaction with the distributive function of I.A.P.I.¹² and the state-owned Dirección General de Fabricaciones Militares, while the anti-Peronist trade associations accused these organizations of inefficiency and favoritism. Indeed, the Confederation attributed the prosperity of its members to the functioning of such government agencies.

Figures from the annual reports of the Banco de Crédito Industrial (1944–55) suggest that the most important sectors represented by the anti-Peronist Metallurgical Association (machinery and equipment for industry and the casting of metals) were disfavored in the distribution of credit during the Perón years, while such light metallurgical items as stoves, refrigerators, and electrical fans increased their share of industrial credit after 1950. Furthermore, members of the Confederation benefitted from special credits made available to small and medium enterprises and by the special loans and preferential treatment given to

cooperatives in view of the fact that the Confederation was the first metallurgical association to form such a cooperative. Despite the increasing difficulties faced by small and medium textile industrialists, the sectors represented by these anti-Peronist trade associations did not receive an increasing portion of the credit granted to the textile industry.

Any influence that the new "Peronist" entrepreneurial group had upon economic policy was most probably passive, in that Perón acceded to its requirements because they happened to coincide with, or at least did not conflict with, policies designed to secure the support of the labor movement.¹³ However, measures benefitting this entrepreneurial group, such as easy access to credit and the liberal importation of machinery and equipment and other inputs (measures ensuring its continued support for Peronist wage and social welfare policies), may have been important in inhibiting the development of a domestic heavy metallurgical industry.¹⁴ It appears likely that there existed, at this historical juncture, important political obstacles in the way of deepening the import substitution process. Given the nature of the interests that made up the Peronist alliance (a direct product of the import substitution stage that gave rise to new entrepreneurial and worker groups), an economic policy conducive to vertically integrated industrial development was not possible. Indeed, political obstacles inhibiting the transition to the domestic manufacture of machinery and equipment may be important in explaining why import substitution economies become "stuck" at the early import substitution stage, failing to make a smooth transition to the domestic manufacture of machinery, equipment and metals.¹⁵

APPENDIX

Trade Associations

<i>Abbreviation</i>	<i>Full Name</i>	<i>Products Represented</i>
A.T.A.	Argentine Textile Association	Hosiery
	Confederation of Light Metallurgical Industries	Light metallurgical consumer products: jewelry, refrigerators, air conditioners, auto parts, etc.
F.A.D.I.T.	Argentine Federation of Textile Industries	Various textile products, esp. cotton fibers and fabrics
	Knitted Fabrics Association	Knitted fabrics and articles

	Metallurgical Association	Heavy metallurgical products, esp. items of cast metal and machinery and equipment for industry
Rosario	Chamber of Metallurgical Industrialists of Rosario	Farm machinery, parts and implements
Silk Chamber	Industrial Chamber of Silk	Silk fabrics

NOTES

1. By 1950, the percentage of the Argentine population employed in manufacturing was the highest in Latin America (Cole 1965, p. 169).
2. The Peronist Law of Professional Associations of Employers (1953) resulted in an increase not only in the organization of entrepreneurial groups, but also in the rate of affiliation of new members to organizations, due to the fact that this legislation granted legal recognition to only one organization per industrial sector. Without such legal recognition, an entrepreneurial group could not negotiate with labor, nor was it allowed representation on any of the various governmental boards or commissions. As a result, entrepreneurial groups rapidly organized and competed for new members in their efforts to gain legal recognition.
3. The fact that peak organizations do not keep lists of individual firms, but only of member trade associations, has made it impossible to examine peak organization membership in terms of such characteristics as size of firm, location, etc.
4. In Argentina, metallurgy refers not just to the working of metals and alloys, but also to articles composed predominately of metal, such as industrial machinery, stoves, refrigerators, electrical motors, and so on.
5. A common accusation, for example, was that the C.G.E. responded to the political ambitions of its leaders. Indeed, it has been argued that no groups among the Argentine bourgeoisie were spontaneous Peronist supporters (Kenworthy 1970, chap. 6).
6. By 1950, these two sectors accounted for 40.9% of all manufacturing (Diaz Alejandro 1970, p. 238).
7. While food, drink, and textiles led industrial growth prior to 1950, metals, machinery, and equipment led industrial growth after that date.
8. On the corruption of the electoral system prior to the rise of Perón see, Smith 1974, Snow 1972, Puiggros 1974, and Ciria 1968. The source of the pressure for the establishment of a single peak entrepreneurial organization linked to the executive power, and providing advice to it, is difficult to pinpoint. As early as 1945, Perón announced his desire for a "truly national entrepreneurial organization" to provide advice to the various governmental ministries (*El Cronista Commercial*, 7 de febrero, 15 de marzo 1945). However, various entrepreneurial groups (including the Confederation of Light Metallurgical Industries), prior to and shortly after this date, were suggesting that organized groups participate directly in the policymaking process in view of the unrepresentative nature of the electoral system.
9. According to statements made by Perón, and the then president of the Central Bank, Miranda (*El Cronista Commercial*, 5 de octubre 1946, p. 1; 24 de julio 1951, p. 1).

10. On the other hand, it has been found that when state intervention benefits entrepreneurs, they develop a favorable attitude towards it and towards the governments which engage in such intervention (Heidenheimer and Langdon 1968, p. 103–4).
11. Large textile industrialists were better able to tolerate Peronist economic policies—perhaps a factor in F.A.D.I.T.'s failure to declare itself against the regime. Members of F.A.D.I.T., engaged in the weaving and spinning of cotton and wool, used domestic primary materials and, being larger firms, were better able to support wage increases combined with price controls.
12. Instituto Argentino para la Promoción de Intercambio was the government agency charged with the responsibility of distributing foreign exchange.
13. In other words, the Perón regime did not espouse a development strategy. Rather, his economic and social policies (wage settlements, heavy industrial protection, etc.) were premised on a political strategy of maintaining his tenuous alliance. He evidently felt the need for the support of at least a fraction of the bourgeoisie for his social welfare programs. Because the U.I.A. withdrew its support for these measures, Perón, in 1945, began to call for the establishment of a parallel organization which would allow for greater representation of small and medium industrialists and industrialists of the interior.
14. The possibility of vested interests blocking the transition to the domestic manufacture of machinery and equipment has been suggested by Diaz Alejandro 1970, p. 258; Hirschman 1968, pp. 17–18; Little et al. 1976, p. 66.
15. The failure of developing countries to build up their own machinery, equipment, and machine tools industries, and to develop their own technology has had significant economic repercussions. It has led to distortions in import substituting economies (Bruton 1970, pp. 137–43; Fuchs 1965, pp. 345–83; Esteban 1972, p. 139), and the necessity of importing machinery and equipment has led to a drainage of foreign exchange. In addition, since the ability to import depends upon the foreign exchange earned by the primary export sector, any decline in production or prices in the primary sector has a detrimental impact upon the ability of industry to expand.

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